

A B I L L

To amend the Foreign Service Act of 1946, as amended, and for other purposes.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

That the following new heading and section be added immediately following section 1112 of title XI of the Foreign Service Act of 1946, as amended:

"RETIREMENT INCENTIVE

"SEC. 1113. (a) Any participant who retires voluntarily under section 636 prior to April 1, 1969 shall have his creditable service increased by the period of time between the date of his separation from the Service and June 30, 1970: Provided, That his total service credit does not exceed 40 years: and Provided further, That the projected service does not extend past the date of his mandatory retirement pursuant to section 631 or 632 or the date he would complete the maximum period during which he would be permitted to remain in the Service under regulations prescribed pursuant to section 633. High-five average salary shall be computed for such a participant as if he performed service at his final salary rate during the period of projected service.

"(b) Amounts equivalent to retirement deductions of 6½ percent of the final salary rate of each former participant who retired and received a benefit under subsection (a) hereof shall be deducted from the annuity of each such former participant. Such deductions shall be made from annuities accruing to the former participant during the period of the projected service credited under subsection (a). All such deductions shall be matched by contributions to the Foreign Service Retirement and Disability Fund from the appropriation used to pay the former participant's final salary. Such matching contributions shall be paid on the first of each month in the same manner as matching contributions paid in accordance with section 811."

Explanation and Justification of a bill  
to provide a retirement incentive to  
participants in the Foreign Service  
Retirement and Disability System

The Foreign Service Retirement and Disability System was designed with the objective of accelerating retirement of more senior officers in the Service in order to bring men to the top while still vigorous and receptive to new ideas. With a Foreign Service officer corps of 1500 men provisions for selection-out and voluntary retirement at age 50 resulted in a satisfactory rate of separation of the more senior officers. Beginning in the mid fifties the Foreign Service officer category was expanded and is now at the 3500 level. With this larger number of Foreign Service officers, the rate of separation, particularly at the senior level, has not kept pace with the expansion.

Approximately one year ago the Department announced a reduction in the number of years a Foreign Service officer may remain in class without promotion before becoming subject to selection-out. This reduction in time-in-class regulations will result in a substantial increase in the number of officers separated from the Service by selection-out this year. However, other means must be devised to effect an

additional number of separations and it is believed that this can be accomplished by the provision of an incentive to Foreign Service personnel to retire voluntarily. The issuance of the President's January 18, 1968 directive calling for a reduction of U. S. overseas personnel provides an appropriate opportunity for the enactment of temporary legislation that will result in accelerated retirement. The accompanying bill would provide such an incentive.

If enacted the measure would permit an officer or employee of the Service who is a participant in the Foreign Service Retirement and Disability System, and who is eligible to retire voluntarily, to do so any time after enactment and before a specified date and receive an annuity on the basis of service credit projected beyond his date of retirement.

The measure is designed so that no benefit will accrue to any officer or employee who dies in Service or who retires because of disability, for age or because of selection-out. The measure will benefit only those who could remain in Service but who choose to retire voluntarily before April 1, 1969.

The bill also provides for a reduction in the annuity of each officer or employee benefited thereunder by an amount equal to a retirement contribution of 6½ percent of the participant's final salary rate. This deduction from annuity would

be continued for the duration of the period of the projected service. This amount would be matched and paid into the retirement fund by the Department exactly as if the officer or employee had remained in the Service during the period of the projected service.

# COST AND SAVINGS ESTIMATE

## Salary Savings

No. retiring under  
incentive plan be-  
tween July 1, 1968  
and April 1, 1969

Estimated year  
this group would  
retire without  
incentive

Estimated salary  
savings resulting  
from early  
retirement

	<u>Number</u>	<u>FY</u>	
	50	1969	\$ 0
	100	1970	2,200,000
	75	1971	3,500,000
	50	1972	3,600,000
	25	1973	2,500,000
300	<u>300</u>	Total	\$11,800,000

## 6½% Retirement Contribution Cost

6½% Dept. retirement  
contribution for period  
of projected service

Paid during FY 1969	\$245,000
Paid during FY 1970	<u>420,000</u>
	\$665,000

## Terminal Leave Cost

Additional Terminal leave payments accruing during FY 1969 for 250 retirees (50 retiring in FY 1969 not included)	\$2,250,000
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## Retirement Fund Cost (not an S&E expense)

Total cost to retirement fund paid over lifetime of retirees	\$6,000,000
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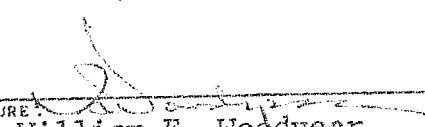
PROJECTED-SERVICE RETIREMENT INCENTIVE  
Service Projected to 6/30/70 for those Retiring by 3/31/69

<u>Class</u>	<u>Ch. of M. Class 2</u>	<u>Career Minister</u>	<u>FSO-1</u>	<u>FSO-2</u>	<u>FSO-3</u>	<u>FSO-4</u>
Salary rate July 1968	\$29,500	\$28,000	\$27,990	\$26,850	\$21,500	\$17,000
Annuity with service projected to 6/30/70	19,700	18,350	18,200	13,900	10,700	8,500
Percentage increase in annuity with retirement on:						
7/1/68 w/24 mos. projected service	10%	15%	17%	26%	24%	22%
12/31/68 w/18 mos. " "	7	10	11	18	17	16
3/31/69 w/15 mos. " "	5	7	8	14	14	13
6½% retirement contribution per year for projected period	\$ 1,900	\$ 1,800	\$ 1,800	\$ 1,750	\$ 1,400	\$ 1,100

PROJECTED-SERVICE RETIREMENT INCENTIVE  
Service Projected to 6/30/70 for those Retiring by 3/31/69

	<u>Ch. of M. Class 2</u>	<u>Career Minister</u>	<u>FSO-1</u>	<u>FSO-2</u>	<u>FSO-3</u>	<u>FSS-3</u>	<u>FSS-6</u>
68	\$29,500	\$28,000	\$27,990	\$26,850	\$21,500	\$13,750	\$9,150
e projected	19,700	18,350	18,200	13,900	10,700	8,500	5,700
in annuity n:							
projected service	10%	15%	17%	26%	24%	21%	20%
" "	7	10	11	18	17	15	14
" "	5	7	8	14	14	12	11
tribution ected period	\$ 1,900	\$ 1,800	\$ 1,800	\$ 1,750	\$ 1,400	\$ 900	\$ 600

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FORM DS-14 4-1-55	DEPARTMENT OF STATE WASHINGTON	DATE 2-29-68
INTERDEPARTMENTAL REFERENCE		
REFERRED TO	<div style="border: 1px solid black; width: 150px; height: 15px; margin: 0 auto;"></div> Legislative Counsel, CIA	
RE:	Retirement Incentive	
WRITER <input type="checkbox"/> HAS <input type="checkbox"/> HAS NOT BEEN INFORMED OF THIS REFERENCE		
COMMENTS:  Attached are the drafts relating to our proposed retirement incentive plan.  I have purposely not classified any of this material but as I explained to you until it has the Secretary's approval and we are able to get it through the Bureau of the Budget, we would appreciate your not going forward with a similar proposal.		
SIGNATURE  William E. Woodyear Legislative Officer		
OFFICE OR DIVISION Foreign Affairs Personnel Planning Program		